

URUGUAY

SECTOR: Agriculture

PROJECT NAME: Farm Modernization and Development Program
(1063/OC-UR)

TOTAL COST: \$49 million

FINANCING:

IDB \$32 million
LOCAL \$17 million

DATE OF APPROVAL: November 25, 1997

GENERAL DESCRIPTION: The overall objective of the Farm Modernization and Development Program (PREDEG) is to raise the value of farm products and exports through investments designed to improve the subsector's competitiveness. The program has four components: (a) technological development; (b) quality control; (c) marketing development; and (d) institutional strengthening.

The technological development component provides support for upgrading technology throughout the farm production system by investing in: (a) subsidies for eligible farmers who improve plant varieties by upgrading deciduous orchards, vineyards and citrus groves; (b) cofinancing projects to validate and adapt new farm production, market preparation and processing technology; (c) technical assistance in farming technology, agroprocessing industries and business administration; and (d) training for producers, agroindustrial processors, exporters and specialists providing technical assistance to the subsector on new technologies and business management.

The quality control component provides support for development of a regulatory framework to govern product and processing standards and harmonization with MERCOSUR standards, by: (a) disseminating and enforcing these standards; (b) improving quality controls and inspection of fresh fruits and produce; and (c) certifying genetic strains and phytosanitary conditions and restocking with new varieties.

The marketing development component finances: (a) trade promotion and market information projects, including trade fairs and trade missions abroad; (b) pilot projects in export markets; (c) preinvestment studies to identify and develop agroindustrial or commercially viable projects for

submission to financial entities capable of expanding export opportunities; and (d) financing of strategic investments, through establishment of a seed capital fund (consisting entirely of local counterpart resources) to attract private sector participation in the financing of service centers (fruit and produce collection and processing stations) or other industrial operations to improve post-harvest handling and marketing of the subsector's products.

Institutional strengthening will fund consultancies and training programs to strengthen the program executing agency and subexecuting entities.

CONSULTANTS:

For the technological development component, private technical assistance companies, nongovernmental organizations and private-sector experts in farming technology, agroprocessing industries and business administration will be hired to provide assistance to some 2,500 farmers in various production categories, plus 40 operators of agroindustrial and marketing enterprises.

Consultants will be hired under the quality-control component to train professionals, producers and private certification companies.

For the marketing development component, a private sector contract will be let for development of a system to analyze and improve the dissemination of trade and market information, using basic data from existing information systems in Uruguay and abroad. Specialized technical firms will be hired to help with market information dissemination (through connection to data banks). A private sector export service to handle trade aspects from point of origin to destination and a private sector marketing agent will be hired to help plan the pilot projects in export markets. Private companies will be retained in the following phases: (a) initial identification of product categories with export potential; (b) exploration of markets, opportunities and clients; (c) supply contracts with producers; (d) marketing operations (importer/client); (e) defining the operation (product, packaging, date, volumes, etc.); (f) identification of the production technology and post-harvest handling requirements; (g) drawing up the schedule of shipments and logistical arrangements; (h) post-harvest handling and shipment; (i) reception of the product at destination, followed by consumer testing; and (j) evaluation and feedback. Specialized firms will be hired to identify and carry out 16 technical studies in support of investment decisions.

Short-term consulting contracts will be let for the institutional-strengthening component.

GOODS AND EQUIPMENT: Fruit trees, plants, laboratory equipment, office equipment and computer equipment will be procured.

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